

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 CAB-05 CIAE-00 COME-00
DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00 L-03 SS-15
NSC-05 PA-02 ICA-20 ITC-01 LAB-04 SIL-01 /087 W
-----129315 262052Z /72

R 261756Z MAY 78

FM AMEMBASSY ROME

TO SECSTATE WASHDC 3110

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E.O. 11652: N/A

TAGS: EAIR, IT

SUBJ: CIVAIR: ALITALIA ANNUAL MEETING PRESS CONFERENCE

REF: ROME 9714

1. AS ALITALIA PRESIDENT NORDIO'S PRESS STATEMENTS HAVE AROUSED WASHINGTON INTEREST IN PAST HIS ENTIRE PRESS RELEASE OF MAY 23 IS REPORTED HERE ON BASIS OF OFFICIAL TEXT SUPPLIED BY ALITALIA. MOST NOTABLE REMARKS, BEYOND THOSE ON POSSIBLE PURCHASE OF AIRBUS (SEE REFTEL) WERE THAT ALITALIA EXPECTS, 1978 WILL BE EVEN BETTER THAN 1977, WHICH SAW PROFIT IN EXCESS OF \$12 MILLION, AND, WITH REFERENCE TO U.S.- ITALY NEGOTIATIONS, THAT CAPACITY SHOULD BE LIMITED IN ORDER TO FILL AIRPLANES AND AVOID OPERATING LOSSES. HE INDICATED THAT ALITALIA'S NORTH ATLANTIC FARE REDUCTIONS AND SIMPLIFICATIONS, WHILE EASING ACCOUNTING PROBLEMS AND WELCOME PASSENGERS, HAD NOT PRODUCED SUBSTANTIAL PROFITS.

2. BEGIN TEXT. DR. NORDIO, ALITALIAN CHAIRMAN AND MANAGING DIRECTOR, HELD HIS ANNUAL PRESS CONFERENCE TODAY IN THE COMPANY AUDITORIUM, FOLLOWING YESTERDAY'S MEETING OF STOCKHOLDERS. 175 JOURNALISTS ATTENDED INCLUDING 111 REPRESENTATIVES OF THE FOREIGN PRESS.

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3. ALITALIA EXPECTS TO TRANSPORT MORE PASSENGERS AND CARGO THIS YEAR THAN IN 1977, A YEAR WHICH, DESPITE SOME DISRUPTION OF SERVICES, RESULTED IN PROFIT OF B11,122 MILLION ITALIAN LIRE. "TRAFFIC STATISTICS FOR THE FIRST FOUR MONTHS OF THIS YEAR LEAD US TO BELIEVE THAT WE SHALL ATTAIN GOOD FINANCIAL RESULTS IN 1978; RESULTS EVEN BETTER THAN THOSE OF LAST YEAR", DECLARED UMBERTO NORDIO, ALITALIA CHAIRMAN AND MANAGING DIRECTOR.

4. REGARDING PLANS FOR STRENGTHENING THE AIRCRAFT FLEET, NORDIO STATED THAT THESE COVERED THE PERIOD RIGHT UP THE END OF THE '80S. DURING THIS PERIOD A SUBSTANTIAL PART OF THE AIRCRAFT CURRENTLY IN USE WOULD BECOME OBSOLESCEANT AND WOULD BE REPLACED BY NEW MODELS, THE CHOICE OF WHICH WAS BEING CAREFULLY STUDIED BY THE COMPANY. IN THIS CONTEXT THE SHORT AND MEDIUM RANGE ROUTES WERE OF PARTICULAR IMPORTANCE. THE AIRBUS WAS ONE CANDIDATE FOR THIS SERVICES AND A SOLUTION MIGHT BE THE PURCHASE OF BETWEEN SIX AND THIRTEEN AIRCRAFT OF THIS TYPE. THE NUMBER WOULD DEPEND ON THE POSSIBILITIES OF USING THE AIRCRAFT ON THE ENTIRE COMPANY NETWORK SO THAT ITS INTRODUCTION WOULD BE MORE ECONOMICAL. HOWEVER "MIXED SOLUTIONS", IN WHICH OTHER TYPES OF AIRCRAFT WERE USED TOGETHER WITH THE AIRBUS, COULD NOT BE EXCLUDED.

5. ALITALIA'S PLANS ARE CURRENTLY IN PREPARATION, DECLARED NORDIO, BUT WILL BE COMPLETED BEFORE THE END OF THE YEAR AND PRESENTED TO COMPANY STOCKHOLDERS SHORTLY AFTER.

6. REGARDING THE TARIFFS INTRODUCED BY ALITALIA ON THE NORTH ATLANTIC ROUTE AT THE END OF LAST YEAR THESE HAD BEEN FOUND USEFUL BY CUSTOMERS, EVEN THOUGH THE RESULTS OBTAINED IN TERMS OF PROFIT - AND HENCE FUTURE INVESTMENT BY ALITALIA HAD NOT BEEN SUBSTANTIAL.

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7. IN FACT THE SIMPLIFICATION OF THE TARIFF STRUCTURE HAD MADE THE FUNCTION OF SELLING AND ACCOUNTING MUCH EASIER. THIS OPEN END CLEAR APPROACH ON THE QUESTION OF TARIFFS IS, DECLARED ALITALIA'S CHAIRMAN, THE CORRECT APPROACH TO THE CUSTOMER. SPEAKING ABOUT THE "TARIFF WAR" ON THE NORTH ATLANTIC, NORDIO RECALLED HOW THIS HAD ARISEN FROM THE DIFFICULTIES THAT I.A.T.A. (INTERNATIONAL AIRLINE TRANSPORT ASSOCIATION) WAS EXPERIENCING IN MAINTAINING ORDER IN THE TARIFF FIELD. THESE DIFFICULTIES WILL BE EXAMINED AGAIN DURING THE NEXT MEETING OF THE ASSOCIATION, PLANNED FOR JUNE, WHEN WAYS OF IMPROVING THE ORGANIZATION WILL ALSO BE DISCUSSED.

8. ANOTHER TOPIC WAS THE BILATERAL DISCUSSION BETWEEN ITALY AND THE UNITED STATES, PARTICULARLY REGARDING THE DIFFERENCES OF OPINION REGARDING CAPACITY. IT IS A QUESTION, SAID NORDIO, OF PLACING A REALISTIC LIMIT ON THE CAPACITY OFFERED. THE ITALIAN REPRESENTATIVES ARE OF THE OPINION THAT IF IS NECESSARY TO FILL THE AIRCRAFT AS MUCH AS POSSIBLE WITHOUT INCREASING THE NUMBER OF SEATS AVAILABLE, IN ORDER TO AVOID OPERATING AT A LOSS AND CONSEQUENT NEED FOR STATE SUBSIDIES. THE BASIS BY WHICH COMPANIES CAN OPERATE AS (A) BUSINESS MUST BE MAINTAINED. THE AMERICAN REPRESENTATIVES DO NOT SEEM TO SHARE THIS POINT OF

VIEW, NEITHER DO THEY SHARE OUR VIEWS ON SOME OTHER ASPECTS...
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NSC-05 PA-02 ICA-20 ITC-01 LAB-04 SIL-01 /087 W
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... ASPECTS.

9. NORDIO DECLARED HOWEVER THAT HE WAS HOPEFUL THAT THE SITUATION WOULD BE CLARIFIED DURING THE NEXT ROUND OF DISCUSSIONS BETWEEN THE TWO DELEGATIONS. THIS "BATTLE OF WILLS", EMPHASIZED NORDIO, "IS NOT HELPING ANYONE".

10. NORDIO ADMITTED THAT IN RECENT MONTHS THE STANDARD OF SERVICES HAD FALLEN, PARTICULARLY THE PUNCTUALITY OF FLIGHTS. "UNTIL LAST SEPTEMBER", SAID ALITALIA'S CHAIRMAN "75 PERCENT OF OUR FLIGHTS WERE ON TIME. THIS PERCENTAGE, WHICH WAS AS HIGH AS 80 PERCENT FOR DOMESTIC FLIGHTS (AND) IS COMPARABLE WITH THAT OF OTHER MAJOR WORLD (AIRLINES), WORSENEO OWING TO STRIKES AND THE DEFICIENCIES EXISTING IN THE SYSTEM OF AIR TRAFFIC CONTROL. IN ALITALIA, DECLARED NORDIO, WE ARE MAKING A CLOSE STUDY OF THE CAUSES OF THE DELAYS. THE PRELIMINARY RESULTS SHOW THAT DURING THE LAST MONTHS THERE WERE 1,000 DELAYS DUE TO TRAFFIC REASONS OR LACK OF ADEQUATE ORGANIZATION IN THE AIRPORTS. THE NEW SYSTEM OF TRAFFIC CONTROLL INTRODUCED A FEW MONTHS AGO IS, ACCORDING TO NORDIO, STILL IN A TRIAL STAGE AND THE NUMBER OF AIR CONTROLLERS IS INSUFFICIENT TO HANDLE THE INCREASING AIR TRAFFIC OVER ITALY.

11. SUMMING UP THE FIRST MONTHS OF 1978, ALITALIA'S CHAIRMAN STATED THAT, FROM A FINANCIAL STANDPOINT, THE YEAR HAD STARTED WELL AND THAT IT WOULD BE POSSIBLE TO ACHIEVE A PROFIT AGAIN
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THIS YEAR "PROVIDED STRIKES BY STAFF DO NOT INCREASE, SINCE, IN THAT EVENT, THE PROFIT FORECAST WOULD BE ABSORBED BY THE NEGATIVE EFFECT OF LABOUR DISPUTES".

12. TOURIST TRAFFIC TO ITALY DURING THE FIRST MONTHS OF THE YEAR WAS NOT PARTICULARLY FAVOURABLE DUE TO THE PARTICULAR POLITICAL AND PUBLICORDER SITUATION. MANY BOOKINGS WERE CANCELLED AT SHORT NOTICE, BUT IT WAS TOO EARLY, EMPHASIZED NORDIO, TO KNOW WHETHER THIS IS AN INDICATION OF A REDUCTION OF TOURISM TO ITALY.

13. ALITALIA'S CHAIRMAN ATTACHED GREAT IMPORTANCE TO THE PROMOTIONAL PROGRAM "VISIT ITALY" WHICH INCLUDES A DEVELOPED PROGRAM AIMED AT ATTRACTING PEOPLE FROM ABROAD. IN ANSWER TO QUESTIONS FROM THE PRESS, ALITALIA'S CHAIRMAN ANNOUNCED THAT IT WAS NOT POSSIBLE BUT, IN FACT, RATHER PROBABLE THAT CHINA WOULD, IN THE FUTURE, BE INCLUDED AMONG ALITALIA'S DESTINATIONS.

14. REGARDING THE OPERATING CONCESSION (PERMIT) WHICH HAD NOT BEEN RENEWED BETWEEN THE STATE AND ALITALIA, IT WAS EMPHASIZED THAT THE ABSENCE OF A SOLUTION TO THIS QUESTION HAD AN ADVERSE EFFECT ON THE QUALITY OF THE SERVICE WHICH THE COMPANY COULD OFFER. END TEXT.

ROME, MAY 23, 1978.GARDNER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TEXT, MEETINGS, PRESS CONFERENCES
Control Number: n/a
Copy: SINGLE
Draft Date: 26 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978ROME09852
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780223-0721
Format: TEL
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780514/aaaaalfg.tel
Line Count: 197
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 41d2b695-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 78 ROME 9714
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2548803
Secure: OPEN
Status: NATIVE
Subject: CIVAIR: ALITALIA ANNUAL MEETING PRESS CONFERENCE
TAGS: EAIR, IT
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/41d2b695-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014